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LIVESTOCK PURCHASES UNDER THE GOVERNMENT DROUGHT RELIEF PROGRAM

Address by G. B. Thorne, Agricultural Adjustment Administration, at the 29th Annual Convention of the Institute of American Meat Packers, Chicago, Illinois, Monday, October 15. 2:20 P. M.

The subject which I have been requested to discuss is not a new one to the meat packing industry. It is therefore unnecessary for me to recall all of the details of the unprecedented drought of the past summer, nor to describe the hardships with which livestock producers have been confronted as a result of the acute shortage of feed and water. The meat packing industry has been a necessary and major cog in the machinery which was set up to meet the crisis in the livestock industry, and consequently has been intimately connected with the problem and the steps which have been taken to alleviate it. The response which the meat packing industry gave to the call for increased processing and canning facilities bears out your recognition of the crisis, and is an additional testimony of the ability of your industry to meet emergency situations which develop from time to time in our livestock markets.

You will recall that the 1934 drought first became acute in the Dakotas during the month of May. During the summer and fall of 1933 a considerable portion of those States experienced extremely dry weather and short crops, and precipitation continued well below normal during the winter and spring of 1933-34. As a result, livestock in the area came out of the winter in poor condition and very little pasture was available to relieve the feed shortage. Producers had held on to their livestock, hoping against hope that the drought would be broken and that disposal of their animals would be unnecessary, but when it became evident that a substantial proportion of the livestock

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would have to be moved out of the area, many of the cattle were so emaciated that they could not have withstood shipment to market.

This situation was of such a serious nature that it was readily recognized as a national emergency, and three agencies of the Federal Government -- The Agricultural Adjustment Administration, The Federal Emergency Relief Administration and the Federal Farm Credit Administration -- joined hands in their efforts to relieve the distress of livestock producers and others in the area who were dependent upon agricultural pursuits as a source of income and livelihood.

The first action taken was to make a survey of the drought areas and classify the drought stricken counties into two general groups -- the "emergency drought counties" in which conditions of drought were most acute, and "secondary drought counties" in which the feed and water supplies were reduced but had not reached serious proportions. Specified forms of relief were offered to each of the two groups of counties. The purchase of cattle and calves was a major service offered to the producers in emergency drought counties. Other relief measures included reduced freight rates, liberal credit facilities and the distribution of food and feed to those in greatest distress.

Under the Government Program, all of the purchases of cattle have been made either on the farms or at local concentration points. The cattle have been classified by inspectors of the Bureau of Animal Industry into two groups -- those unfit for food, and those fit for food. The animals which have been designated as unfit for food have been condemned and destroyed on the farm. Those classified as fit for food have been appraised by authorized agents of the Secretary of Agriculture for the purpose of determining the price to be paid for the animals. These cattle have been delivered to the Federal

Emergency Relief Administration at the local shipping point. A majority of the cattle turned over to the Federal Emergency Relief Administration have been processed promptly into canned beef for distribution to the needy, but some of them have been shipped to pasture in non-drought areas to await slaughter for the same purpose.

The total payment per head for the cattle purchased under the Program has been in accordance with the following schedule: Cattle, two years old and over, \$12 to \$20. Cattle, one to two years old, \$10 to \$15. Cattle, under one year old, \$4 to \$8. The total payment is divided into two parts. The agreement payment, amounting to \$6 on two-year-olds, \$5 on yearlings, and \$3 on calves, goes entirely to the cooperating producer, and is not subject to liens on the cattle sold. In return for this payment, the producer agrees to participate in any future cattle adjustment programs of the Administration with the understanding that reductions and payments made under the drought program are to be included in any future adjustments or benefit payments.

The remaining portion of the total payment represents the sales price, which varies with the quality and condition of the animal.

Prior to the inauguration of the Government purchase program, the cattle industry was giving considerable attention to the problem of surplus cattle production in the United States. During the month of May, a committee consisting of representatives of cattle producers from all sections of the country had been working with officials of the Agricultural Adjustment Administration in an effort to work out a satisfactory cattle reduction program. With the advent of the drought relief operations, however, the Agricultural Adjustment Administration reached an understanding with the committee of producers that aid would first be rendered to the cattle producers in the drought territory, and to postpone the formulation of any cattle adjustment

program until the consequences of the drought could be adequately determined. Thus at the beginning, the cattle buying program was considered as a joint measure of drought relief and surplus removal. The drought spread to involve most of the territory west of the Mississippi River, and the reduction of cattle numbers as an adjustment measure became secondary to the purchase of cattle solely for the relief of distress.

When cattle purchases began on June 1, there were about 134 "emergency" drought counties. All of the counties in the Dakotas were so classified, and there were a few counties located in Minnesota, Wisconsin and Texas. With continued dry weather during June, the drought spread into the South and West. By July 7, the emergency drought area included the Eastern portions of Montana and Wyoming, Eastern Colorado, Southwestern Texas, most of New Mexico, Idaho and Utah, and the southern parts of California and Arizona. By this time there was considerable apprehension as to the effects of the drought all through the cattle producing country. In the Corn Belt, the lack of rainfall was being viewed with considerable alarm, and Nebraska, Iowa and most of Missouri and Illinois had been included in the secondary drought area. Hay crops were reported short throughout the country West of the Mississippi River, and it was apparent that if rain did not come soon, the corn crop would be drastically reduced.

The drought took its biggest toll during July. By August 7, most of the Western cattle producing country had been classified in the emergency area except the Western part of Montana and a small strip running down through the high mountain areas in Wyoming, Colorado, New Mexico and Arizona. In Missouri and Southern Iowa where conditions were relatively favorable on the first of June, the continued hot weather and lack of rainfall during July caused heavy deterioration of the corn crop, and a serious water shortage in many sections. It was evident by the first of August, that the drought had created the most acute feed shortage on record.

During the month of August there was considerable rainfall in the drought stricken States from Minnesota and Nebraska southward, which improved the pasture situation somewhat, and prospects for production of emergency forage crops were improved materially, but the rains came too late for corn, and only a partial recovery was possible in the case of pasture and range. By the first of October, practically all counties in States west of the Mississippi River had been declared as emergency counties except in Iowa, Minnesota, Oregon, Washington, California and Western Montana.

By the first of August, the drought had developed to the point where its consequences in terms of probable feed supplies could be estimated within reasonable limits, and the Agricultural Adjustment Administration began developing more definite plans as to the probable extent of cattle purchases as a means of helping to balance the livestock supply and the feed supply for the coming winter. It was apparent at that time that even if the Government purchased 10,000,000 head of cattle and calves, and marketings through commercial channels were in normal relation to the cattle population, that the feed supply per animal unit would still be well below normal. On the other hand, it was recognized that a purchase program of this magnitude would not be desirable except as a last resort. At a conference with representatives of the meat packing industry in early August, officials of the Administration indicated that an analysis of probable feed supplies showed that it would be necessary for the Government to purchase at least 5,000,000 head of cattle and calves in addition to the 1,000,000 head that had been purchased up to that date.

When it became evident that a program of this size was inevitable, steps were taken immediately to restrict purchases to those drought areas which were in most acute distress. State Directors in charge of cattle purchases were instructed to give priority in the purchase of animals to the

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areas in most distressed condition, and that purchases from individual producers were not to be in excess of the number which it was found necessary to remove in order to make reasonably certain that the livestock remaining on the farm or ranch could be maintained during the winter. Since early September, purchases have been limited by State quotas of approximately two weeks duration. The purchase quotas have been determined on the basis of the most reliable information that could be obtained as to the feed and livestock situation in the various States. Such information has included regular and special surveys of the Bureau of Agricultural Economics, reports of State Directors and first-hand information obtained from field representatives.

The necessity of maintaining breeding stock in important breeding areas has been fully recognized by the Administration, and much effort has been made to keep liquidation in those areas at the lowest possible level consistent with the feed situation. Throughout the program, emphasis has been placed upon the importance of maintaining foundation herds of good livestock on farms.

Cattle and calves have been purchased in twenty-four States, all but three of which are located West of the Mississippi River. The program has been completed in thirteen States, and final allocations have been made in the remaining eleven States. Purchasing operations in the latter States are being brought to a close as rapidly as conditions will permit. Present plans and estimates contemplate the removal of approximately 7,500,000 head for the entire buying program. About 6,250,000 had been purchased up to October 1. Available reports indicate that 15.3% of this number were condemned as unfit for food and destroyed at the point of purchase; 43.4% were processed in Federally inspected plants under Federal contracts; 14.7% were processed under State canning operations; 17.2% were held on pasture awaiting

slaughter, and the remainder, which total 9.4%, were held on farms awaiting shipment or else were in transit.

The sheep and goat buying program got under way early in September. As in the case of cattle, purchases are confined to emergency drought counties, and priority in the purchase of animals is being given to those areas which are in the most distressed condition as a result of the drought. Purchases are made only from those producers who do not have sufficient feed supplies to maintain their animals, and the number purchased from individual producers are limited to the number which it is necessary to remove in order to make reasonably certain that the remainder can be maintained. Purchases also are limited to ewes and Angora nannies, one year old and over, which have been located in the United States since April 1, 1934 and which were acquired by the present owners prior to that date. Sheep and goats are classified as fit for use if at they are in condition to trail to shipping points, withstand shipment to slaughtering point, carry sufficient flesh and be otherwise suitable for slaughter for food or for redistribution or other relief purposes. Those which do not meet these requirements are classified as unfit for use and are destroyed on the farm or ranch. The same purchase price obtains for animals accepted for use and condemned animals. \$2.00 is paid for sheep and \$1.40 for Angora goats. The total payment is equally divided into a service and disposition payment and a purchase payment, the former payment not being subject to liens. Payment for animals classified as fit for use is made after they have been delivered to the designated shipping point. In the case of condemned animals, the producers are required to remove the pelts or skins, prepare them in a manner satisfactory for the usual commercial uses, and deliver them to a designated local shipping point before payment is made.

By October 6, approximately 2,000,000 sheep had been purchased, about 60% of which had been condemned, Goat purchases approximated 5,000 head with condemnations running around 85%. It is now contemplated that a total of about 4,600,000 sheep and 530,000 goats will be purchased during the entire program.

It is impossible to foresee all of the effects which will result from the 1934 drought, but it is obvious that maladjustments have been and are being created which cannot be corrected in a short time. The purchase program provided for an efficient disposition of these animals which could not be maintained, and our next problem is to get the greatest possible number of the remaining animals through the winter. A Government program has been inaugurated to assist in getting more feed into the cattle producing sections. Cattlemen throughout the country are, apparently, realizing that the drought is resulting in a sharp curtailment in cattle numbers, and that this will likely result in materially higher prices for those animals which can be maintained until the next crop season. This has stimulated their interest in obtaining and conserving feed for maintenance rations. The magnitude of this task of getting livestock through the winter is dependent to a considerable degree upon weather conditions. Looking ahead still farther, we are faced with the problem of a materially reduced livestock supply and the probability of a disparity between livestock numbers and feed supplies in 1935 and 1936.

To offset all of the ill effects of the drought on livestock producers is, impossible of achievement, but the livestock purchasing program has done much to cushion the shock to the industry. It has been a substantial prop to the cattle and beef market, in that it has diverted from commercial channels large numbers of cattle which had to be liquidated before the end of the winter. This has prevented further price declines in the cattle

market, thereby benefiting producers over the entire country. The program also has enabled the distressed farmers to secure something more than the current market price for their inferior animals, and to conserve feed by removing them from the herds.

In analyzing the results of the buying program, it also should be recognized that the reduction in the productivity of our cattle herds will not be as marked as the figures of disposal would indicate. During the last several years of declining cattle prices, there has been a gradual accumulation of old, and to some extent, inferior beef and dairy breeding stock on our farms and ranches. This accumulation has occurred because the price obtainable for this class of cattle were unremunerative, and in many instances would have amounted to little more than marketing costs. The farmers who have sold cattle to the Government have tended to sell these old and inferior animals, and retain the better cattle in their herds.

In this emergency we have been faced with many difficult problems, and on behalf of the Agricultural Adjustment Administration, I wish to express appreciation for the assistance which the Institute of American Meat Packers has given, and the willingness of the numbers to cooperate in meeting the greatest crisis that has ever faced the American livestock industry.

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